

USEPA SF



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CP -

For the tenant
file - New lease
for Pacific Pine
T-1. Supersedes
lease dated 9/23/87

Carol

14th 90-250
LEASE OF IMPROVED SPACE

THIS LEASE, dated this 12th day of October, 1990, is entered into by and between THE PORT OF PORTLAND, a port district of the State of Oregon (hereinafter referred to as "Port"); and PACIFIC PINE COMPANY, a corporation organized under the laws of the state of Oregon, (hereinafter referred to as "Lessee").

RECITALS

WHEREAS, under the terms of a lease dated September 23, 1987 and amended March 14, 1988 (Port Agreement Number 87-095 hereinafter referred to as the "Original Lease"), the Port leased certain improvements located at Terminal 1 to the Lessee; and

WHEREAS, said Original Lease was terminated by the Port due to default on September 23, 1990, the Port taking possession of the Premises on September 26, 1990; and

WHEREAS, the Lessee filed for bankruptcy reorganization under Chapter 11 of the U. S. Bankruptcy Code (U.S.C. Sec. 100 et. seq., hereinafter the "Bankruptcy Code") on September 26, 1990 (Case No. 390-35161-P11); and

WHEREAS, Lessee is contesting the Port's possession of the Premises; and

WHEREAS, the Lessee is desirous of entering into a month-to-month lease for those certain improvements located at Terminal 1 occupied by the Lessee under the terms of the Original Lease; and

WHEREAS, the Port is willing to lease said improvements, being more particularly described below, under the terms of a month-to-month lease which lease shall be entered into by Lessee as a Debtor-in-Possession pursuant to authority under the Bankruptcy Code; and

NOW, THEREFORE, in consideration of the above declarations, the parties have negotiated the following terms and conditions:

ARTICLE 1. -- PREMISES

Section 1.1 - Description of Premises: The Port hereby leases to the Lessee, and the Lessee leases from the Port on the terms and conditions stated below, the land and appurtenances thereto consisting of approximately 50,000 square feet of building space known as Warehouse 104 at Terminal 1, Portland, Oregon, identified on Drawing No. T1 87-3 1/1, attached hereto as Exhibit A and made a part hereof, and any existing improvements thereon, (hereinafter referred to as "Premises"). Upon construction or installation of any additional improvements approved by the Port as provided herein in, under, or upon the Premises, including without limitation any buildings, roads, driveways, parking areas, landscaped areas, pipes, fences, walls, sidewalks, stairs, tanks, paved areas, utility distribution facilities, or signs (collectively referenced herein in addition to existing improvements as "Improvements"), such Improvement(s) shall become a part of the Premises unless otherwise stated herein.

Section 1.2 - Use of Premises: The Lessee shall use the Premises only for the following purpose(s): warehousing, distribution and remanufacturing of lumber and related products.

1.2.1 No other use shall be made of the Premises without the written approval of the Port. The Lessee shall not cause or permit any conduct on the Premises that would cause the Premises, or any part thereof, to be deemed a hazardous waste treatment, storage, or disposal facility requiring a permit, interim status, or other special authorization under any environmental law. Without limiting the foregoing, no use may be made of, on,

or from the Premises relating to the handling, storage, disposal, transportation, or discharge of hazardous substances, as defined in Section 6.2, without the written approval of the Port.

1.2.2 The Lessee shall not use or permit in the Premises anything that shall increase the rate of fire insurance thereon or prevent the Port taking advantage of any ruling of the Insurance Services Office of Oregon or its successors, that would allow the Port to obtain reduced rates for long term insurance policies; or maintain anything that may be dangerous to life or limb; or in any manner deface or injure said building or any portion thereof; or overload the floors; or permit any objectionable noise or odor to escape or to be emitted from the Premises; or permit anything to be done upon the Premises in any way tending to create a nuisance or to disturb any other tenants of the building; or to use or permit the use of said Premises for lodging or sleeping purposes or for any illegal purposes, and that the Lessee shall comply at the Lessee's own cost and expense with all orders, notices, regulations, or requirements of any municipality, state, or other governmental authority respecting the use of said Premises.

Section 1.3 - Appurtenant Rights: The Lessee shall, during the term hereof, have the appurtenant rights specified in Subsections 1.3.1 and 1.3.2 below. No other appurtenant rights shall be implied as a part of this Lease. Nothing stated herein shall be construed as to limit in any way the general power and right of the Port to exercise its governmental powers over the common areas.

1.3.1 Except as provided herein, in addition to any appurtenant rights granted by law, the Lessee shall have the express appurtenant non-exclusive right to use the following: 1) the gate access from Front Avenue

southwest of the Premises; 2) access to the Premises from the alley between the Dredge Base (Warehouse 2) and the Premises; and 3) access to the Premises from the area immediately adjacent to and north of the Premises. As a further appurtenant right, the Lessee shall have the right to use approximately 400 square feet of office building attached to the Premises on the North. For all appurtenant rights, the Lessee shall cooperate with the Port, its lessees and agents and coordinate its activities in these areas.

1.3.2 The Lessee, its customers, agents, representatives, and invitees shall have the nonexclusive right to use any areas designated by the Port as "Common Areas", such right to be in common with others to whom the Port has granted or may grant such similar right. The term "Common Areas", as used herein, shall mean any parking areas, roadways, driveways, sidewalks, landscaped areas, security areas, trash removal areas, delivery areas, washrooms, and any other areas owned by the Port within Terminal 1 where such areas have been designated or may be designated in the future by the Port as areas to be used by the general public or in common by tenants.

1.3.3 The Port reserves the following rights with respect to the Common Areas:

1.3.3.1 To establish reasonable rules and regulations for the use of the Common Areas;

1.3.3.2 To use or permit the use of such Common Areas by others to whom the Port may grant or may have granted such rights in such manner as the Port may from time to time so grant;

1.3.3.3 To close all or any portion of the Common Areas to make repairs or changes, to prevent dedication of the Common Areas or the accrual of any rights to any person or the public, or to discourage unpermitted use of the Common Areas;

1.3.3.4 To construct, alter, or remove buildings or other improvements in the Common Areas and to change the layout of such Common Areas, including the right to add to or subtract from their shape and size or to eliminate such Common Areas;

1.3.3.5 To exercise any of the Port's governmental powers over the Common Areas.

ARTICLE II. - TERM

Section 2.1 - Term: The initial term of this Lease shall commence on October ¹⁵~~10~~, 1990 and shall continue month-to-month until terminated by either party upon thirty days' written notice or unless otherwise terminated under the provisions hereof.

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ARTICLE III. - RENT

Section 3.1 - Basic Rent: The Lessee shall pay, in advance, to the Port as rent the sum of \$10,000 per month (hereinafter "Basic Rent").

Section 3.2 - Time and Place of Payments: Lessee shall pay the Port the Basic Rent in equal weekly installments of \$2,500 each due on the first four Fridays of each month, said rent to be delinquent if not paid when due, except that, upon execution of this Lease, the Lessee shall pay the Port \$5,000, (the first two installments of Basic Rent as provided in this Section 3.2.). Each installment of Basic Rent shall be paid by cashier's check and shall be paid when due, without notice or demand and without any abatement, deduction, or set-off. In the event of termination, rent for any partial month shall be prorated based upon the daily rate of \$333.33.

3.2.1 Payment shall be to the Port at The Port of Portland,

Post Office Box 3529, Portland, Oregon 97208, Attention: Real Estate Department, or such other place as the Port may designate. All amounts not paid by the Lessee when due shall bear a delinquency charge at the rate of 18 percent per annum. The delinquency charge on overdue accounts is subject to periodic adjustment to reflect the Port's then current charge for overdue accounts.

Section 3.3 - Acceptance of Late Rent: The Port shall be entitled, at its sole and complete discretion, to either accept or reject a tender payment of Basic Rent which is not paid when due. In the event the Port elects to accept a tender of payment of rent after the time when such payment was due, the Port may do so without waiving the Lessee's continuing obligation to make such payments when required under the terms of this Lease.

ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Improvements/Alterations: No construction, alteration, or improvement shall be made on or to the Premises without the written consent of the Port. To obtain Port consent, at least 10 days prior to any construction, alteration, demolition, or changes upon the Premises or Improvements, the Lessee shall submit to the Port final plans and specifications and shall not commence any construction or installation until it has received the Port's written approval.

4.1.1 No such work shall be undertaken until the Lessee has procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations required with respect to the work. Procurement of such permits and authorizations shall be subsequent to the Lessee's obtaining Port approval pursuant to Section 4.1.

4.1.2 All work shall be performed in a good and workmanlike manner and, in the case of alterations or additions to existing Improvements, shall be of such quality and type that, when completed, the value and utility of the Improvements which were changed or altered shall be not less than the value and utility of such Improvements immediately before such change or alteration. All work shall be prosecuted with reasonable dispatch.

Section 4.2 - Maintenance: Except for the Port maintenance responsibilities provided in Section 5.1 herein, the Lessee shall keep and maintain the Premises and Improvements of any kind, which may be erected, installed, or made thereon by the Lessee or the Port, in good and substantial repair and condition, including the exterior condition thereof, and shall promptly make all necessary repairs and alterations thereto at the Lessee's sole expense. The Lessee shall cooperate with the Port's electricians to protect against overloading of electrical circuits. The Lessee shall follow ^{REASONABLE} the directions of the Port's Risk Management Department and the Port's insurance carrier in all areas of operation and maintenance, including but not limited to, sawdust collection and disposal. The Lessee shall provide, at the Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

Section 4.3 - Taxes: The Port shall pay all real property taxes applicable to the Premises, provided, however, that Lessee shall pay, in addition to rent, a prorated portion of any increase in real property taxes over \$21,715, said amount being the real property taxes applicable to the Base Year of the Original Lease. As used herein, the term "real property taxes"

shall not include business license fees, excise taxes, sales taxes, corporation taxes, income taxes or any tax on personal property which may be imposed by any city, county, state, or federal government, or any special district or agency.

4.3.1 Lessee shall pay before delinquency, all taxes and fees assessed against and levied upon its trade fixtures, equipment, furnishings and all personal property of Lessee contained in the Premise or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of the Port. If any of the Lessee's said personal property shall be assessed with Port's real property, Lessee shall pay Port the taxes attributable to the Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to the Lessee's property.

4.3.2 Payment for taxes due under this Section 4.3 shall be paid with the next following rent payment or payments after the receipt of the notice from the Port as to the amount of taxes assessed and the amount prorated. The first such payment shall include the period of time from the commencement of this Lease until the date of notice from the Port.

Section 4.4 - Liens: The Lessee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Lessee's consent to be furnished to or for the Lessee in, upon, or about the Premises or Improvements, which may be secured by any mechanic's, materialmen's, or other lien against the Premises or Improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any

obligation secured by any such lien matures or becomes due, provided that the Lessee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Lessee to procure a payment bond in the amount of the contested lien.

Section 4.5 - Utilities: The Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the Premises or Improvements at the request of the Lessee. In no event shall the Lessee overload the electrical circuits from which the Lessee obtains current.

Section 4.6 - Advertisement Signs: Subject to the provisions hereof, the Lessee shall have the right to install or cause to be installed appropriate signs on the Premises to advertise the nature of its business. The cost of such installations and operation thereof shall be borne by the Lessee. The Lessee shall not erect, install, nor permit to be erected, installed, or operated upon the Premises herein any sign or other advertising device without having obtained first the Port's written consent thereto as to size, construction, location, and general appearance and then all applicable governmental approvals. All such installations shall be in accordance with the Development Standards.

Section 4.7 - Safety Requirements:

4.7.1 The Lessee shall conduct its operations, activities, and duties under this Lease in a safe manner, and shall comply with all safety

standards imposed by applicable federal, state, and local laws and regulations. The Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of the Lessee pursuant to this Lease.

4.7.2 The Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes, and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

Section 4.8 - Access to Premises: Except as provided in Section 4.8.1, the Port shall at all times during ordinary business hours have the right to enter upon the Premises and Improvements for the purposes of: (1) inspecting the same; (2) confirming the performance by the Lessee of its obligations under this Lease; (3) doing any other act which the Port may be obligated or have the right to perform under this Lease, or reasonably related thereto; and (4) for any other lawful purpose. Such inspections shall be made only at a mutually agreeable time to all parties except in cases of emergency or pursuant to Section 4.8.1.

4.8.1 Environmental Inspection: The Port reserves the right to inspect the Lessee's and the Lessee's subtenants' management of Hazardous Substances, as defined in Section 6.2 on the Premises at any time and from time to time without notice to the Lessee or subtenant. If the Port at any time during the term of this Lease or any extension thereof has reason to

believe that the Lessee or the Lessee's subtenant(s) are managing Hazardous Substances in a manner that may allow contamination of any portion of the Premises, the Port may require the Lessee to furnish to the Port, at the Lessee's sole expense, an environmental audit or an environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting said audit and the audit procedures, and shall be given an original copy of the results. The Port shall have the right to request and receive information with respect to use of Hazardous Substances on the Premises in writing from any subtenants and other occupants of the Premises. The Lessee shall cooperate with all such requests.

Section 4.9 - Hazardous Substances Spills and Releases: The Lessee shall immediately notify the Port upon becoming aware of: (1) any leak, spill, release, or disposal of a Hazardous Substance, as defined in Section 6.2, on, under, or adjacent to the Premises, or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to the Lessee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations or ordinances with respect to the Premises or activities on the Premises.

4.9.1 In the event of a leak, spill, or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, the Lessee shall immediately undertake all emergency response necessary to contain, clean-up, and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial, and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated. The Port shall have the right to approve all

investigatory, remedial, and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial, and/or removal action, the Lessee shall provide the Port with a certification acceptable to the Port that all such contamination has been eliminated.

ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES

Section 5.1 - Maintenance: The Port shall maintain the exterior structural walls, underground utility infrastructure, and roof of the building, excepting the floor in good and substantial repair and condition. The Port shall maintain the sprinkler system and the automated fire and sprinkler monitoring system in operating condition at all times during the term of the Lease.

Section 5.2 - Port's Warranty of Ownership: The Port warrants that it is the owner of the Premises and has the right to lease said Premises under the terms of this Lease. Subject to the Lessee performing all obligations of this Lease, the Lessee's possession of the Premises will not be disturbed by the Port or anyone lawfully claiming by, through, or under the Port and the Port will defend the Lessee's right to quiet enjoyment of the Premises from disturbance by anyone lawfully claiming by, through, or under the Port.

Section 5.3 - Condition of Premises: The Port makes no warranties or representations regarding the condition or available lawful uses of the Premises. The Lessee has inspected and accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to the Lessee for any loss, damage, injury, or costs caused by the condition or

available lawful uses of the Premises.

ARTICLE VI. - INDEMNITY, INSURANCE, DAMAGE AND DESTRUCTION

Section 6.1 - General Indemnity: The Port shall not in any event be liable for any injury to any person or damage to any property occurring on or about the Premises, unless such injury or damage results from the wilful acts or gross negligence of the Port. The Lessee covenants and agrees to indemnify, save, and hold harmless the Port, its commissioners, directors, officers, agents, and employees from and against any and all actual or potential liability, claims, demands, damages, expenses, fees (including attorneys', accountants', and paralegal fees), fines, penalties, suits, proceedings, actions, and causes of action (collectively "Costs") which may be imposed upon or incurred by the Port due to the acts or omissions of any person or entity whatsoever (excluding only the wilful acts or gross negligence of the Port), and which: (1) arise from or are in any way connected with the Lessee's use, occupation, management, or control of the Premises whether or not due to the Lessee's act or omission and whether or not occurring on the Premises; or (2) result from any breach, violation, or nonperformance by the Lessee of any of its obligations under this Lease.

Section 6.2 - Hazardous Substances Indemnity: In addition to the indemnity provided in Section 6.1 above, the Lessee agrees to indemnify, save, and hold harmless the Port, its commissioners, officers, agents, and employees from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials, contaminants, or regulated substances, as those

terms are defined by federal, state, or local law or regulation ("Hazardous Substances"), including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. §9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. 2601, et. seq.); the Solid Waste Disposal Act (42 U.S.C. §3251, et. seq.) as amended by the Hazardous and Solid Waste Amendments Act of 1984; the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401 et. seq.); 1985 Oregon Laws Chapter 733; and 1987 Oregon Laws Chapter 540, as the same may be amended from time to time, (collectively "Environmental Law"), on the Premises by Lessee, whether prior to or during the Lease Term, including, but not limited to: (a) claims of third parties, including governmental agencies, for damages, response costs, indemnities or other relief; (b) the cost, expense or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (c) the expense, including fees of attorneys, engineers, paralegals and experts, reporting the existence of said hazardous substances or contaminants to any agency of the State of Oregon or the United States as required by applicable laws or regulations; (d) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses, all of which shall be paid by Lessee promptly after the Port incurs the obligation to pay such amounts. Such damages, costs, liabilities and

expenses shall include such as are claimed to be owed by any regulating and administering agency. As used in Article VI, the word "Premises" shall be deemed to include the soil and water table thereof.

6.2.1 Promptly upon written notice from the Port or from any governmental entity, the Lessee shall remove from the Premises (including without limitation the soil or water table thereof) all Hazardous Substances, placed, brought, or allowed on the Premises by the Lessee or persons operating on the Premises with the permission of, or under the direction of, the Lessee, and shall restore the Premises to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations.

Section 6.3 - Duty to Defend: The Lessee shall, at its sole expense, defend any and all actions, suits, and proceedings relating to matters covered by the indemnity set forth in Sections 6.1 and 6.2 which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

Section 6.4 - Insurance:

~~6.4.1 The Lessee shall keep the Premises together with any and all Improvements placed thereon continuously insured with an insurance underwriter(s) satisfactory to the Port and authorized to do business in the State of Oregon. The policy(ies) shall be written on an all risk form including flood and earthquake in an amount equal to 90 percent of the new replacement value of the Improvements on the Premises.~~

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6.4.2 The Lessee shall maintain an occurrence form commercial

general and automobile liability insurance policy or policies for the protection of the Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance limits of not less than ~~\$1,000,000~~ ~~\$3,500,000~~ combined single limit.



6.4.3 All insurance shall name the Port, its commissioners, officers, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.4.4 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.

6.4.5 The Port shall have the right to review the limits of insurance required herein from time to time. In the event the Port determines that such limits should be increased or lowered, the Port will provide notice to the Lessee of such determination. The Lessee shall, if the limits are increased, modify its coverage to comply with the new limits and provide the Port with an updated certificate.

Section 6.5 - Waiver of Subrogation: The Port and the Lessee agree that

each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, to the extent that such loss is covered by the provision of the Lessee's property damage policy or policies.

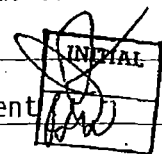
Section 6.6 - Damage or Destruction of Premises: If the Premises or Improvements are partially or totally damaged or destroyed by fire or other casualty, the Port shall have the option and shall within 60 days from the damage or destruction, notify the Lessee in writing whether or not the Port elects to repair, rebuild, or restore the Premises or to terminate this Lease. Upon giving such notice to terminate, this Lease shall terminate on the date specified in the notice. The Port shall be entitled to all proceeds of insurance payable because of the damage or destruction to the Premises.

ARTICLE VII. - TERMINATION

Section 7.1 - Termination by the Port: The Port shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.2 - Termination by Lessee: The Lessee shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.3 - Duties on Termination: Upon termination of the Lease for any reason, the Lessee shall deliver all keys to the Port and surrender the Premises and Improvements in good condition. Alterations constructed by the Lessee with permission from the Port shall not be removed, unless the terms of permission for the alteration so require, but shall be restored to the original condition. Electrical ^{distribution} panels and electrical distribution equipment



and materials shall not be removed. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender. The Lessee's obligations under this paragraph shall be subordinate to the provisions of Section 6.6, related to destruction. *Motor control panels shall be Lessee's trade fixtures and may be removed.*

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Section 7.4 - Title to Improvements: Subject to the provisions of Section 7.5, upon termination of this Lease by the passage of time or for any reason, the Port shall have the option to either require removal of any or all Improvements constructed by the Lessee, pursuant to Section 4.1, within 90 days after the expiration of the Lease at the Lessee's expense or shall have the option to take title to any or all such structures, installations, and Improvements. Title to all other Improvements shall remain with the Port.

Section 7.5 - Fixtures:

7.5.1 Upon termination of this Lease for any reason, any or all fixtures placed upon the Premises during the Lease Term, or any extension thereof, other than the Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishing, and trade fixtures shall remain the property of the Lessee if placed on the Premises by the Lessee. Machinery placed on the Premises by the Lessee shall be removed at the point of connection leaving *distribution* electrical *panels* and electrical distribution materials in place. At or before the termination of this Lease, the Lessee, at its expense, shall remove

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from the Premises any or all of the Lessee's fixtures or personal property which the Port has required the Lessee to remove under the terms of this Lease, and shall repair any damage to the Premises resulting from the installation or removal of such fixtures or personal property. Any items of the Lessee's fixtures or personal property which remain on the Premises after the termination of this Lease in violation of this Section 7.5 may, at the option of the Port, be deemed abandoned. The Port shall have the option, in its sole discretion, of (a) retaining any or all of such abandoned property without any requirement to account to the Lessee therefor, or (b) removing and disposing of any or all of such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from the Lessee upon demand.

7.5.2 If the Lessee fails to remove such fixtures as required by this Lease, the Port may do so and charge the cost to the Lessee with interest at the Port's then current interest rate from the date of expenditure. In addition to any other applicable liability, the Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at the Port's then current interest rate on all such expenses from the date of expenditure by the Port.

7.5.3 The time for removal of any property or fixtures which the Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the date the Lease terminates because of expiration of the original or a renewal term or because of default; or (2) within 30 days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 7.6 - Environmental Audit: The Port and/or its agent(s) shall make an environmental inspection of the Premises at the beginning of the Lease Term, or as soon thereafter as reasonably possible. The Port reserves the right to conduct such additional inspections at any time during the term of this Lease or any extension thereof. A copy of said inspection(s) shall be submitted to the Lessee. Prior to the expiration of this Lease, or as soon thereafter as reasonably possible, the Port or its agent(s) shall inspect the Premises. If any inspection reveals possible environmental liability not present in the original survey, the Lessee shall, at its cost, conduct an environmental audit of the Premises acceptable to the Port to determine if any environmental contamination exists. The Port shall have the right to approve the audit procedures and the company or individual conducting said audit, and shall be given an original copy of the results. If the Lessee is required to conduct an environmental audit pursuant to this Section 7.6, the Lessee shall provide to the Port a supplemental up-date report as of the last day of the lease term. The Lessee shall promptly remedy any contamination placed, brought, or allowed on the Premises by the Lessee, or those operating on the Premises at the direction of, or with the permission of, the Lessee, and revealed by such audit in accordance with the then applicable regulations prior to the expiration of the Lease Term. The Lessee, upon termination of the Lease for any reason other than expiration of time, shall conduct the environmental audit as required by this Section. The Port, if necessary, will grant the Lessee a Permit of Entry for such purpose. In the event the Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge the Lessee all such costs. The Lessee agrees to pay to Port such costs within 30 days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the

Port as provided herein, at law, or by equity.

7.6.1 Until such time as the Lessee has fulfilled all the requirements of Section 7.6 above, the Port may, at the Port's option, treat the Lessee as a holdover tenant and all provisions pursuant to Section 7.6 shall apply.

7.6.2 If the Lessee does not conduct said audit as required herein, the Port may, at its sole option, complete said audit at the Lessee's expense. Until said audit and any remedial actions as required to restore the Premises to an acceptable condition are completed, the Lessee shall not be released from any liability for such costs.

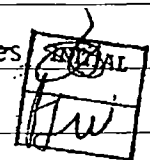
ARTICLE VIII. -- DEFAULT

Section 8.1 - Events of Default: The following shall be events of default:

8.1.1 Default in Rent: Failure of the Lessee to pay any rent or other charge as provided herein within 10 days after it is due.

8.1.2 Default in Other Covenants: Failure of the Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within 30 days after written notice by the Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 30 day period, this provision shall be complied with if the Lessee begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

8.1.3 Insolvency: To the extent permitted by the United States



~~Bankruptcy Code; insolvency of the Lessee; an assignment by the Lessee for the benefit of creditors; the filing by the Lessee of a voluntary petition in bankruptcy; an adjudication that the Lessee is bankrupt or the appointment of a receiver of the properties of the Lessee and the receiver is not discharged within 30 days; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within 10 days.~~



~~8.1.4 Failure to Occupy: Failure of Lessee for 30 days or more to occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.~~

Section 8.2 - Remedies on Default:

8.2.1 In the event of a default under the provisions of Section 8.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance. No termination of this Lease pursuant to this Section 8.2 shall relieve the Lessee of its liabilities and obligations under this Lease, and any damages shall survive any such termination.

8.2.2 If the Lessee fails to perform any of its obligations under this Lease, the Port, without waiving any other remedies for such failure, may (but shall not be obligated to) perform such obligation for the account and at the expense of the Lessee, without notice in a case of emergency, and in any other case if such failure continues for 15 days after written notice from the

Port specifying the nature of the failure. The Port shall not be liable to the Lessee for any claim for damages resulting from any such action by the Port. The Lessee agrees to reimburse the Port upon demand for any expenses incurred by the Port pursuant to this Lease together with interest thereon from the date of payment at the Port's then current interest rate.

8.2.3 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may be brought by the Port, from time to time, at the Port's election, and nothing in this Lease will be deemed to require the Port to await the date on which the Lease Term expires. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law, in equity, by statute, or otherwise, including without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by the Port of any such rights or remedies will not preclude the simultaneous or later exercise by the Port of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE IX. - GENERAL PROVISIONS

Section 9.1 - Assignment and Sublease:

9.1.1 This Lease is personal to the Port and the Lessee. Except as provided herein, no part of the Premises nor any interest in this Lease may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the Premises be conveyed or conferred on any third person by any other means, without the prior written consent of the Port. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers by operation of law. If the Lessee is a corporation, this provision shall apply to any sale of a controlling

interest in the stock of the corporation.

9.1.2 Consent in one instance shall not prevent this provision from applying to a subsequent instance.

9.1.3 Other than the subleases for which the Port has given written consent concurrently with this Lease, in determining whether to consent to sublease, the Port may consider any factor including the following factors: financial ability; business experience; and/or intended use. The Port may require increased rent prior to consent if the use is retail.

Section 9.2 - Taking by Governmental Powers:

9.2.1 If a Total Taking occurs during the Term of this Lease, either the Port or the Lessee may cancel this Lease by written notice given within 30 days after the Date of the Taking, and this Lease will terminate as of the Date of Taking.

9.2.2 If a Partial Taking occurs during the Term of this Lease, either the Port or the Lessee may cancel this Lease as to the portion of the Premises taken by written notice given within 30 days after the Date of the Taking, and this Lease will so terminate as to the portion of the Premises taken on the Date of the Taking. If the Lease is not so terminated, this Lease will continue in full force and effect. If the Lease is so terminated as to the portion of the Premises taken, this Lease will continue in full force and effect as to the remainder of the Premises. The Annual Rent payable by the Lessee for the balance of the Term will be abated in the proportion that the square footage area of the Premises taken bears to the square footage area of the Premises immediately prior to the taking. In the event of continuation, the Lessee shall make all necessary repairs or alterations to make the remaining Premises a complete architectural unit.

9.2.3 All the compensation and damages awarded for the taking of the Premises, any portion of the Premises, or the whole or any portion of the common areas will belong to the Port. The Lessee will not have any claim or be entitled to any award for diminution in value of any unexpired term of this Lease; however, the Lessee may make its own claim for any separate award that may be made by the condemning authority for the Lessee's loss of business or for the taking of or injury to the amortized cost or value of the Lessee's improvements, or on account of any cost or loss the Lessee may sustain in the removal of the Lessee's trade fixtures, equipment, and furnishings which the Lessee is authorized to remove under this Lease, or as a result of any alterations, modifications, or repairs which may be reasonably required by the Lessee in order to place the remaining portion of the Premises not so condemned in a suitable condition for the continuance of Lessee's occupancy.

9.2.4 If this Lease is terminated pursuant to the provisions of this Section 9.2, then all rentals and other charges payable by the Lessee to the Port under this Lease will be paid up to the Date of the Taking, and any rentals and other charges paid in advance and allocable to the period after the Date of the Taking will be repaid to the Lessee by the Port. In the event of such termination, the Port and the Lessee will then be released from all further liability under this Lease, except such liability which survives termination.

9.2.5 As used in the Section 9.2, the following terms shall have the following meanings:

9.2.5.1 "Date of Taking" means the date on which the condemning authority takes actual physical possession or such earlier date as the condemning authority gives notice that it is deemed to have taken possession or is granted possession by a court.

9.2.5.2 "Partial Taking" means the taking of only a portion of the Premises which does not constitute a Total Taking.

9.2.5.3 "Total Taking" means the taking of the fee title by right of eminent domain or other authority of law, or a voluntary transfer under the threat of the exercise of the right of eminent domain or other authority, of so much of the Premises as is necessary for the Lessee's occupancy, that the Premise, after the taking, are no longer suitable for the Lessee's intended use. Any taking of 50% or more of the square footage of the Premises shall be deemed a Total Taking.

Section 9.3 -- Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision. All waivers shall be in writing.

Section 9.4 - Attorneys' Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorneys' fees, or in the event of appeal as allowed by the appellate court.

Section 9.5 - Law of Oregon: This Lease shall be governed by the laws of the State of Oregon. If a court of competent jurisdiction declares this Lease to be a public contract under ORS Chapter 279, then the parties agree that the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein.

Section 9.6 - Adherence to Law: The Lessee shall adhere to all applicable federal, state, and local laws, rules, regulations, and ordinances, including but not limited to (1) laws governing its relationship with its employees, including but not limited to laws, rules, regulations, and policies concerning Worker's Compensation, and minimum and prevailing wage requirements; (2) laws, rules, regulations and policies relative to occupational safety and health; (3) all federal, state, regional, and local Environmental Laws.

9.6.1 The Lessee shall not use or allow the use of the Premises or any part thereof for any unlawful purpose or in violation of any certificate of occupancy, any certificate of compliance, or of any other certificate, law, statute, ordinance, or regulation covering or affecting the use of the Premises or any part thereof. The Lessee shall not permit any act to be done or any condition to exist on the Premises or any part thereof which may be hazardous, may constitute a nuisance, or may void or make voidable any policy of insurance in force with respect to the Premises.

9.6.2 The Lessee shall promptly provide to the Port copies of all notices or other communications between the Lessee and any governmental entity which relate to the Lessee's noncompliance or alleged noncompliance with any law, ordinance, regulation, condition, or other applicable requirement lawfully imposed by any agency, governmental body, or quasi-governmental body having jurisdiction over the Lessee's use of the Premises.

9.6.3 The Lessee shall obtain, and promptly advise the Port of receipt of all federal, state, or local governmental approvals or permits required by law or regulation for any activity or construction that the Lessee may undertake on the Premises. The Lessee shall provide the Port with copies of all such approvals and permits received by the Lessee.

Section 9.7 - No Light or Air Easement: The reduction or elimination of the Lessee's light, air, or view will not affect the Lessee's liability under this Lease, nor will it create any liability of the Port to the Lessee.

Section 9.8 - Time of Essence: Time is of the essence of each and every covenant and condition of this Lease.

Section 9.9 - Warranty of Authority: The individuals executing this agreement warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting herein.

Section 9.10 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.11 - Delinquency Charges: The Lessee acknowledges that late payment by the Lessee to the Port of any rent due hereunder will cause the Port to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any rent is not received by the Port when it is due, the Lessee shall pay to the Port a delinquency charge in accordance with Section 3.4. The parties hereby agree that such delinquency charge represents a fair and reasonable payment by the Lessee.

Section 9.12 - Consent of Port:

9.12.1 Subject to the provisions of Section 9.1, whenever consent, approval, or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received

~~in writing from the Executive Director of The Port of Portland.~~

9.12.2 If the Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, the Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable, it being intended the Lessee's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases in which the Port has in fact acted unreasonably and has expressly agreed in writing not unreasonably to withhold its consent or may not unreasonably withhold its consent as a matter of law.

~~Section 9.13 - Notices:~~ All notices required under this Lease shall be deemed to be properly served if served personally or sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, or served personally at 700 N.E. Multnomah, Portland, Oregon, 97232; and to the Lessee, P.O. Box 5193 Portland, OR 97208. Date of service of such notice is date such notice is personally served or deposited in a post office of the United States Post Office Department, postage prepaid.

~~Section 9.14 - Modification:~~ Any modification of the Lease shall be mutually agreed upon and reduced to writing and shall not be effective until signed by the parties hereto.

~~Section 9.15 - No Benefit to Third Parties:~~ The Port and the Lessee are the only parties to this Lease and as such are the only parties entitled to

enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

~~Section 9.16 - Abandonment:~~ Upon abandonment or vacation of the Premises by the Lessee prior to the expiration of the Lease Term without written consent of the Port, the Port may enter upon the Premises or any portion thereof and relet and otherwise exercise control over the same. For the purpose of such reletting the Port is authorized, at the cost of the Lessee, to make any repairs, changes, alterations, or additions in or to the Premises which may be necessary in the sole discretion of the Port for the purpose of such reletting and compliance with all applicable laws. Such entry and control shall not release the Lessee from the obligations herein, but the Lessee shall nevertheless remain liable and continue to be bound, unless the Port, at the Port's election, shall cancel the Lease. Cancellation shall be effected and the Port and the Lessee released from all obligations under this Lease upon the mailing of such notice of cancellation by the Port to the Lessee at the Lessee's last known address, provided that the Lessee shall not be released from liability which survives termination of the Lease. In the event of abandonment or vacation, the title to the Improvements shall automatically be vested in the Port.

~~Section 9.17 - Partial Invalidity:~~ If any provision of this Lease or the application thereof to any person or circumstance is at any time or to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those

to which it is held invalid or unenforceable, shall not be affected thereby,
and each provision of this Lease shall be valid and enforceable to the fullest
extent permitted by law.

Section 9.18 - Survival: All agreements (including, but not limited to,
indemnification agreements) set forth in this Lease, the full performance of
which are not required prior to the expiration or earlier termination of this
Lease, shall survive the expiration or earlier termination of this Lease and
be fully enforceable thereafter.

Section 9.19 - Release of Liability: The Lessee has objected to the
Port's possession of the Premises under the Original Lease as stated in the
Recitals to this Lease. As part of the consideration for this Lease, Lessee
hereby releases the Port from any and all liability related to the termination
of the Original Lease and/or possession by the Port pursuant to such
termination.

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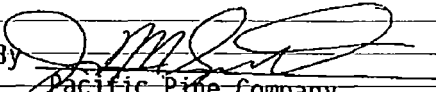
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Section 9.20 - Entire Agreement: It is understood and agreed that this instrument contains the entire agreement between the parties hereto. It is further understood and agreed by the Lessee that the Port and the Port's agents have made no representations or promises with respect to this agreement or the making or entry into this agreement, except as in this agreement expressly set forth, and that no claim or liability or cause for termination shall be asserted by the Lessee against the Port for, and the Port shall not be liable by reason of, the breach of any representations or promises not expressly stated in this agreement, any other oral agreement with the Port being expressly waived by the Lessee.

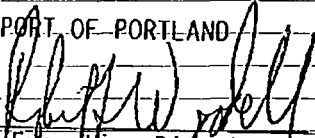
IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

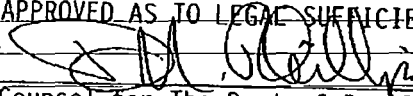
By 
Pacific Pine Company
PRESIDENT

THE PORT OF PORTLAND

By


Executive Director

APPROVED AS TO LEGAL SUFFICIENCY


Counsel for The Port of Portland